

**Statement of
Dusty Tallman to
House Committee on Agriculture
May 8, 2006**

Mr. Chairman and members of the Committee my name is Dusty Tallman, a dryland crop producer of wheat, corn, grain sorghum, millet, sunflower and hay from Brandon, Colorado. I also serve as Vice President of the Colorado Association of Wheat Growers (CAWG).

Mr. Chairman, I wish to thank you for holding this field hearing in Colorado. I am extremely proud of the two Colorado members serving on this important committee – Representatives Marilyn Musgrave and John Salazar.

I wish to focus my testimony on the impact that a continuous six year drought has had on Colorado wheat growers and dryland crop producers and the implications for federal crop insurance, crop disaster assistance and current and future federal farm policy.

Colorado is a major winter wheat producing state, but has had five below average crops in the last six years. Let me illustrate production in those six years compared to the 10-year average crop of 70.6 million bushels: 2000 – 68.2 million bushels (or 97% of average); 2001 – 66 million bushels (or 94% of average); 2002- 36.3 million bushels (or 51% of average); 2003 – 77 million bushels (or 109% of average); 2004 – 45.9 million bushels (or 65% of average); and 2005 – 52.8 million bushels (or 75% of average). By comparison, production in 1999 was 103.2 million bushels (or 146% of average). Production has ranged from a low of 36.2 million bushels in 1999 to 103.2 million bushels in 1999. The press always asks me: what is normal production? My answer is: normal is the average of 10-abnormal years. I believe this recent 6-year history bears this out.

Six years of continuous drought has dramatically affected federal crop insurance coverage for Colorado wheat growers and has resulted in passage of emergency crop disaster programs by Congress in 2001 (for the 2000 production year), 2003 (for the 2001 or 2002 production years) and in 2004 (for the 2003 or 2004 production years). CAWG is also currently supporting emergency crop disaster assistance and economic loss payments for the 2005 production year. This ad hoc crop disaster spending has kept many producers in business, but it is becoming increasingly difficult to pass in Congress.

Federal crop insurance is another tool to preserve farm income. It works well in low-risk areas, but the continuous drought has caused yields to fall, premiums to increase drastically and dollar per acre guarantees to drop. In 1999, my Actual Production History (APH) was _____ bushels per acre and the cost of coverage for _____ was \$_____ per acre. In 2005, my APH was _____ bushels per acre and the cost of coverage for _____ was \$_____ per acre. New crop insurance products continue to be developed, but none affordably cover the first 25 to 35 percent of crop losses. Most producers can handle that type of loss every four or five years, but not five to seven consecutive years.

The 2002 Farm Bill and crop disaster payments have been all that have kept many producers in business, but even with that assistance most have been using their equity to fund their operations. There are many beneficial programs in the 2002 Farm Bill, but improvements could be made to make it even better.

The direct payment has been most important to my farm. I know how much it will be each year and can provide that information to my bank. The counter-cyclical payment was designed to protect against low prices; however, during negotiations for the 2002 Farm Bill, the

target price for wheat was reduced to a level that eliminated counter-cyclical payments the last five years. The counter-cyclical payment has been very beneficial to most other farm program crops. Similarly, the loan deficiency payment has not been of great benefit to wheat, since the drought has kept supplies relatively tight, and therefore the price high. I use the marketing assistance loan to help pay expenses at harvest and spread my income from grain sales from year-to-year.

The Conservation title of the 2002 Farm Bill offers promise to both producers and the environment. The Conservation Security Program (CSP), Conservation Reserve Program (CRP), Grassland Reserve Program (GRP), Environmental Quality Incentive Program (EQIP) and others have all helped conserve land, water and air. The biggest problem with all of these programs is that they are under funded and seem to end up directed to urban areas.

I believe we can improve upon the 2002 Farm Bill without totally re-writing it. Direct payments are a very effective – green box style of agricultural support. I would suggest increasing the direct payments for all crops and doubling it for wheat. I would propose increasing the target price for wheat from \$3.92 to \$4.40 per bushel. This would provide wheat with the price support intended with the counter-cyclical program.

There are several ideas for risk management tools that could be developed that fit the green box. A historically based Target Revenue Program (TRP) could be created to insure 70 percent of yield times the national average price. Using a 70 percent yield guarantee and a 5-10 year historic average price would make the program WTO legal. It would also insure a level of revenue that is not based on the current year of production and therefore give some crop disaster protection to farmers. The biggest drawback to this type of program would be accounting for continuous disasters that would reduce a farm's revenue level. It might also be possible for a producer to buy crop insurance to an 85 or 90 percent level above the TRP. A second idea would be a Risk Management Account (RMA) that would allow producers to set-aside a percentage of their income in a good year and receive a match of those funds from USDA. The RMA could grow each year and be used in years where production or revenue is below 90 percent to realistically buy up crop insurance coverage to a higher level.

I would encourage the Conservation title to be fully funded and directed to production agriculture to make CSP, CRP, GRP, EQIP and other programs more beneficial.

I would caution against attempting to write a new Farm Bill which complies with all the demands from WTO negotiations. In my opinion, that would voluntarily disarm any position of strength we have in the negotiating process. We need to have something on the table to negotiate away if that becomes necessary, because there will always be objections to some of our programs – whether they are green box or not.

I hope that payment limitations will not be used as a political tool. There have been many proposals to reduce payment limits and those proposals would hurt producers in my area. It has been the practice to get larger to spread out fixed costs and now we are being told we are too big. The last payment limit proposal I saw would negatively impact 30 percent of the farmers in Colorado, but only 4 percent in Iowa.

Finally, the United States produces the safest, most reliable and most affordable food supply in the world. I believe we need to protect our food supply and not become dependent on foreign countries to feed us.

Thank you again for this opportunity to testify and I would be happy to answer your questions.